

Appendix J: Cost Neutrality Demonstration

Appendix J-1: Composite Overview and Demonstration of Cost-Neutrality Formula

Composite Overview. Complete the following table for each year of the waiver.

Level(s) of Care (<i>specify</i>):							
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
Year	Factor D	Factor D'	Total: D+D'	Factor G	Factor G'	Total: G+G'	Difference (Column 7 less Column 4)
1	6,778	17,593	24,371	\$52,806	1,575	54,381	30,010
2	6,864	18,208	25,072	\$55,446	1,630	57,076	32,004
3	6,979	18,845	25,824	\$58,219	1,687	59,906	34,082
4	7,233	19,505	26,738	\$61,130	1,746	62,876	36,138
5	7,394	20,188	27,582	\$64,186	1,807	65,937	38,355

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Appendix J-2 - Derivation of Estimates

- a. Number Of Unduplicated Participants Served.** Enter the total number of unduplicated participants from Item B-3-a who will be served each year that the waiver is in operation. When the waiver serves individuals under more than one level of care, specify the number of unduplicated participants for each level of care:

Table J-2-a: Unduplicated Participants			
Waiver Year	Total Unduplicated Number of Participants (From Item B-3-a)	Distribution of Unduplicated Participants by Level of Care (if applicable)	
		Level of Care:	Level of Care:
Year 1	400	SNF	
Year 2	427	SNF	
Year 3	454	SNF	
Year 4 (renewal only)	481	SNF	
Year 5 (renewal only)	508	SNF	

- b. Average Length of Stay.** Describe the basis of the estimate of the average length of stay on the waiver by participants in Item J-2-d.

The average of length of stay was calculated by using state generated reports (SB9-810-AA and BB). These reports show the total number of days of waiver coverage for the last full year of coverage for the previous Elderly and Disabled and TBI waivers. The reports also show the unduplicated count of recipients on each of the waivers during that period of time. The data from the two reports were combined and an average length of stay was calculated. The average blended length of stay for the combined data is 276 days. We anticipate that the average length of stay for this Waiver will remain the same as the length of stay for the blended waivers calculated above.

- c. Derivation of Estimates for Each Factor.** Provide a narrative description for the derivation of the estimates of the following factors.

- i. Factor D Derivation.** The estimates of Factor D for each waiver year are located in Item J-2-d. The basis for these estimates is as follows:

The current Elderly and Disabled waiver was modified to eliminate personal care services. As a result the number of recipients on that waiver was reduced by more than 25%. This change also affected other services covered in the waiver. Therefore the Form 372 reports from the Elderly and Disabled and TBI waivers are not a good representation of anticipated services for this waiver. The Department relied on recently generated reports that detail the recent history of services including number of services provided, cost per service provided and the number of recipients utilizing each service. This information was used as the primary source of information to complete this section of the waiver. The 372 reports were used only if other data was not available. These reports and a narrative on how the information was compiled are available if requested.

Growth in the number of services was based on the anticipated growth in the number of waiver recipients of 7% per year for most services. In those instances where the services were small in

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number and residential services only one recipient was increased each year. For services that are calculated on a half-day, hourly or 15-minute unit basis, a 1% utilization increase was included for each year of the waiver in anticipation of an increase in the number of services that each recipient will use over the course of the waiver. This is based on the anticipation that individuals with a need for additional services will enter the waiver in the future. No utilization increase was made for attendant care services because it is a 24-hour service. Units were also increased for case management to 5 in the last two years of the waiver in anticipation in the growth in the frequency of case management visits. An inflation factor of 3.5% per year was added to each service. This factor is based on historical rate increases given to providers.

When calculating Environmental Modification and Specialized Equipment and Supplies, a base project dollar amount was used and then inflated forward.

- ii. **Factor D' Derivation.** The estimates of Factor D' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

The most recent 372 report for the Elderly and Disabled Waiver indicates that the estimated cost of all other services paid on behalf of waiver recipients averaged \$5,927. This included the cost of drugs that in many cases are no longer paid by Medicaid because Part D Medicare was implemented in January 2006. The Department ran a separate report that indicates the average cost reduction due to Part D implementation averaged \$2,839 per recipient. Therefore we are adjusting downward the initial estimate to \$3,088. In addition, the movement of personal care services to the regular Medicaid Program increases the cost of this service to waiver recipients. It is estimated that the average yearly cost for personal care services for waiver recipients is about \$13,335 per recipient. We are therefore increasing the D prime by that amount. The base total is \$16,423. This amount will be inflated by 3.5%, the estimated amount of increase for rate increases per year based on historical trends.

If the D' estimate is less than G' estimate – then need to explain why – this prime should be equal or greater than g”

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- iii. Factor G Derivation.** The estimates of Factor G for each waiver year are included in Item J-1. The basis of these estimates is as follows:

The G factor is a blended rate of nursing facility rates. The first number is based on the current average for nursing facility services for those individuals eligible for regular Elderly and Disabled services. The second number for the TBI group is based on the nursing facility rate for the facility in North Dakota that serves this population. The third number for the ventilator dependent group is based on the highest rate in the highest cost nursing facility in North Dakota. The rates were blended by multiplying the rates by the estimated number of waiver recipients in each of these groups. The totals were then divided by the total number of recipients to arrive at the blended amount. This amount was then inflated by 5% per year, which is the historical cost increase for nursing facilities in North Dakota.

- iv. Factor G' Derivation.** The estimates of Factor G' for each waiver year are included in Item J-1. The basis of these estimates is as follows:

The latest 372 report indicated that the average cost of other services for individuals residing in nursing facilities was \$4,308. This figure included the cost of Part D Medicare prescription drugs. Based on a report we obtained from historical data the average reduction in yearly costs for individuals on Part D Medicare was \$2,838 per year. Based on that information we concluded that G prime costs for the Medicaid program totaled only \$1,470 per year. This figure is inflated by 3.5% per year based on historical cost increases for the non-nursing facility costs.

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d. Estimate of Factor D. *Select one:* Note: Selection below is new.

<input checked="" type="radio"/>	The waiver does not operate concurrently with a §1915(b) waiver. Complete Item J-2-d-i
<input type="radio"/>	The waiver operates concurrently with a §1915(b) waiver. Complete Item J-2-d-ii

i. Estimate of Factor D – Non-Concurrent Waiver. Complete the following table for each waiver year

Waiver Year: Year 1					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
Case Management	Monthly	400	4	105.60	168,960
Homemaker Service	15 min.	100	466	3.16	147,256
Adult Day Care Service	½ day	2	86	21.63	3,720
Residential Care	Daily	53	260	92.04	1,268,311
Transitional Living	Daily	10	286	44.17	126,326
Supported Employment Extended Services	15 min.	2	202	4.93	1,992
Respite Care	15 min.	90	905	3.06	249,237
Chore Service	15 min.	40	50	2.87	5,740
Emergency Response System	Monthly	130	10	27.75	36,075
Environmental Modification	Per Diem	3	1	10,000	30,000
Non Medical Transportation	Trip	50	189	2.05	19,373
Adult Family Foster Care	Daily	22	258	50.50	286,638
Specialized Equipment and Supplies	Per Diem	5	1	500.00	2,500
Attendant Care Service	15 min.	3	35040	3.23	339,538
Nursing Management	15 min.	3	800	10.70	25,680
GRAND TOTAL:					2,711,346
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)					400
FACTOR D (Divide grand total by number of participants)					\$6,778
AVERAGE LENGTH OF STAY ON THE WAIVER					276

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Waiver Year: Year 2					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
Case Management	Monthly	427	4	109.30	\$186,684
Homemaker Service	15 min.	107	471	3.27	164,798
Adult Day Care Service	½ day	2	87	22.38	3,894
Residential Care	Daily	54	260	95.26	1,337,450
Transitional Living	Daily	11	286	45.72	143,835
Supported Employment Extended Services	15 min.	2	204	5.10	2,081
Respite Care	15 min.	96	914	3.17	278,148
Chore Service	15 min.	43	51	2.97	6,513
Emergency Response System	Monthly	139	10	28.72	39,921
Environmental Modification	Per Diem	4	1	10350	41,400
Non Medical Transportation	Trip	53	191	2.12	21,461
Adult Family Foster Care	Daily	24	258	52.27	323,656
Specialized Equipment and Supplies	Per Diem	6	1	518.00	3,108
Attendant Care Service	15 min.	3	35040	3.34	351,101
Nursing Management	15 min.	3	808	11.07	26,834
GRAND TOTAL:					2,930,884
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)					427
FACTOR D (Divide grand total by number of participants)					\$6,864
AVERAGE LENGTH OF STAY ON THE WAIVER					276

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Waiver Year: Year 3					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
Case Management	Monthly	454	4	113.13	205,444
Homemaker Service	15 min.	115	476	3.38	185,021
Adult Day Care Service	½ day	2	88	23.16	4,076
Residential Care	Daily	55	260	98.59	1,409,837
Transitional Living	Daily	12	286	47.32	162,402
Supported Employment Extended Services	15 min.	2	206	5.28	2,175
Respite Care	15 min.	103	923	3.28	311,826
Chore Service	15 min.	46	52	3.07	7,343
Emergency Response System	Monthly	149	10	29.73	44,298
Environmental Modification	Per Diem	5	1	10,712	53,560
Non Medical Transportation	Trip	57	193	2.19	24,092
Adult Family Foster Care	Daily	26	258	54.10	362,903
Specialized Equipment and Supplies	Per Diem	7	1	536	3,752
Attendant Care Service	15 min.	3	35040	3.46	363,715
Nursing Management	15 min.	3	816	11.46	28,054
GRAND TOTAL:					3,168,678
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)					454
FACTOR D (Divide grand total by number of participants)					\$6,979
AVERAGE LENGTH OF STAY ON THE WAIVER					

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Waiver Year: Year 4 (renewal only)					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
Case Management	Monthly	481	5	117.09	\$281,601
Homemaker Service	15 min.	123	481	3.50	207,071
Adult Day Care Service	½ day	3	89	23.97	6,400
Residential Care	Daily	56	260	102.04	1,485,702
Transitional Living	Daily	13	286	48.98	182,108
Supported Employment Extended Services	15 min.	3	208	5.46	3,407
Respite Care	15 min.	110	932	3.39	347,543
Chore Service	15 min.	49	53	3.18	8,258
Emergency Response System	Monthly	159	10	30.77	48,924
Environmental Modification	Per Diem	6	1	11,087	66,522
Non Medical Transportation	Trip	61	195	2.27	27,002
Adult Family Foster Care	Daily	28	258	55.99	404,472
Specialized Equipment and Supplies	Per Diem	8	1	555.00	4,440
Attendant Care Service	15 min.	3	35040	3.58	376,330
Nursing Management	15 min.	3	824	11.86	29,318
GRAND TOTAL:					3,479,098
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)					481
FACTOR D (Divide grand total by number of participants)					\$7,233
AVERAGE LENGTH OF STAY ON THE WAIVER					276

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Waiver Year: Year 5 (renewal only)					
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5
	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
Case Management	Monthly	508	5	121.19	307,823
Homemaker Service	15 min.	132	486	3.62	232,230
Adult Day Care Service	½ day	3	90	24.81	6,699
Residential Care	Daily	57	260	105.61	1,565,140
Transitional Living	Daily	14	286	50.69	202,963
Supported Employment Extended Services	15 min.	3	210	5.65	3,560
Respite Care	15 min.	118	941	3.51	389,743
Chore Service	15 min.	52	54	3.29	9,238
Emergency Response System	Monthly	170	10	31.85	54,145
Environmental Modification	Per Diem	7	1	11475	80,325
Non Medical Transportation	Trip	65	197	2.35	30,092
Adult Family Foster Care	Daily	30	258	57.95	448,533
Specialized Equipment and Supplies	Per Diem	9	1	575.00	5,175
Attendant Care Service	15 min.	3	35040	3.71	389,995
Nursing Management	15 min.	3	832	12.28	30,651
GRAND TOTAL:					3,756,312
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)					508
FACTOR D (Divide grand total by number of participants)					\$7,394
AVERAGE LENGTH OF STAY ON THE WAIVER					

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ii. Estimate of Factor D – Concurrent §1915(b)/§1915(c) Waivers. Complete the following table for each waiver year.

Waiver Year: Year 1						
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Check if included in capitation	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
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GRAND TOTAL:						
Total: Services included in capitation						
Total: Services not included in capitation						
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)						
FACTOR D (Divide grand total by number of participants)						
Services included in capitation						
Services not included in capitation						
AVERAGE LENGTH OF STAY ON THE WAIVER						

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Waiver Year: Year 2						
	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
Waiver Service	Check if included in capitation	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
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GRAND TOTAL:						
Total: Services included in capitation						
Total: Services not included in capitation						
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)						
FACTOR D (Divide grand total by number of participants)						
Services included in capitation						
Services not included in capitation						
AVERAGE LENGTH OF STAY ON THE WAIVER						

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Waiver Year: Year 4 (Renewal Only)						
Waiver Service	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Check if included in capitation	Unit	# Users	Avg. Units Per User	Avg. Cost/ Unit	Total Cost
	<input type="checkbox"/>					
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GRAND TOTAL:						
Total: Services included in capitation						
Total: Services not included in capitation						
TOTAL ESTIMATED UNDUPLICATED PARTICIPANTS (from Table J-2-a)						
FACTOR D (Divide grand total by number of participants)						
Services included in capitation						
Services not included in capitation						
AVERAGE LENGTH OF STAY ON THE WAIVER						

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